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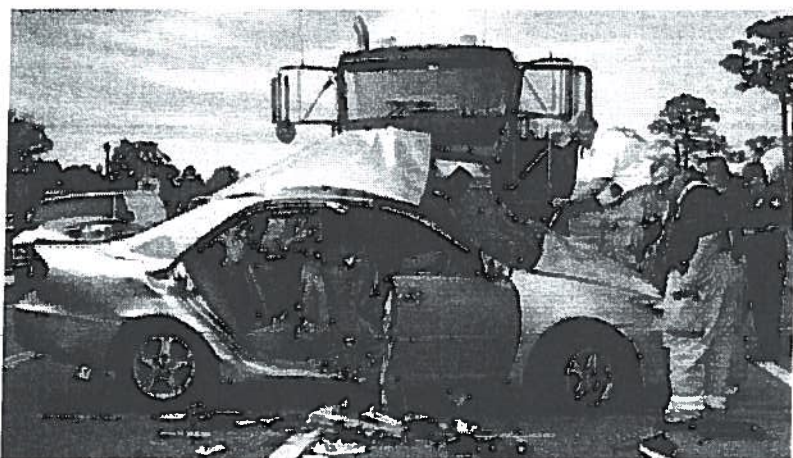


Published: August 21, 2011

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Scott, Atwater look to fix or kill no-fault auto insurance

By CATHERINE WHITTENBURG



The number of car crashes in Florida is dropping, yet auto insurers in Florida are paying more every year on personal injury claims -- all told, \$940 million more since 2008.

Who else pays? You do, if you're an insured Florida driver.

The main cause: fraudulent personal injury claims, which drive up everyone's premiums, said State Insurance Commissioner Kevin McCarty.

"It comes out of the pockets of Joe and Mary Lunchbox," he said at last week's Florida Cabinet meeting. "And the thing about it is, it's through no fault of your own."

Florida consumers can't afford that, say Gov. Rick Scott and Chief Financial Officer Jeff Atwater, who have suggested it's time either to fix the current system or stop requiring Florida drivers to carry \$10,000 in personal injury protection insurance. PIP covers a driver's injuries from an accident regardless of who is at fault.

Lawmakers have tried to reform the system to prevent fraudulent PIP claims, but they continue to pile up.

Studies show that auto insurance would be cheaper if drivers did not have to carry PIP. But Florida also has one of the highest rates of uninsured motorists, and is one of only two states where drivers don't have to have insurance covering injuries they inflict on others.

All of which means that injured drivers without PIP would more likely face covering the cost of their own treatment. That could drive up the cost of health insurance and health care, PIP supporters say. Would repealing the PIP mandate trigger too many unintended consequences?

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The number of Florida drivers has remained stable since 2005, while the number of crashes has dropped, McCarty said.

Yet the cost of PIP claims climbed 70 percent from 2008 to 2010, from \$1.43 billion to \$2.37 billion.

That cost the average two-car family nearly \$100 extra last year on auto insurance, even if their driving records were spotless, according to the Insurance Information Institute.

"Some of that increase can be attributed to increased medical costs," McCarty said. "But not 70 percent ... fraudsters and hucksters [have] perfected the system of finding the weak points and taking advantage of that."

PIP is part of the no-fault auto insurance system that Florida adopted in 1971. Billed as a way to reduce insurance costs and litigation, no-fault limits an injured motorist's right to sue in exchange for prompt payment of medical bills and lost wages through PIP.

But as government and grand jury reports have shown, PIP fraud has grown exponentially in the form of staged crashes, inflated claims of medical treatment and outright false claims of injury.

South Florida is the state's ground zero for fraudulent claims, though insurers also report a high rate of staged accidents in the Tampa Bay area.

The Legislature reenacted Florida's PIP law with anti-fraud reforms in 2007, but problems continued, prompting more anti-fraud proposals this spring. They failed, in part, because lawmakers comingled anti-fraud provisions with more controversial caps on attorneys' fees.

PIP is one of the most heavily lobbied issues at the capitol, given the high stakes for the legal, insurance and medical communities.

PIP is still a great idea, said Atwater, who hopes lawmakers will pass potent new measures in 2012 to drive down fraud.

Otherwise, he said, "if [PIP] is going to continue to run the route it's going, where it's going to become

unaffordable, people are going to go uninsured. I think we have to look at the alternatives."

Scott, who often speaks about consumer "choice," said earlier this month that he was considering proposing legislation to make PIP coverage optional. Tuesday, he said he would defer to McCarty to hammer out a PIP proposal.

Repealing PIP should be part of the debate, McCarty said after Tuesday's Cabinet meeting. "Many of the things that were thought to be the benefits of PIP have not panned out." One alternative, he said, may be requiring bodily injury liability insurance, which covers other people's injuries or death when the insured driver causes an accident.

Because bodily injury insurance requires assignment of fault, "you're not going to stage an accident," McCarty said. "It simply takes the fraud out of the system."

Sen. Ellyn Bogdanoff, who sponsored anti-fraud legislation this spring, panned replacing PIP with bodily injury insurance. "When does the hospital get paid? You have to prove a certain level of liability."

Bruce Ruben, president of the Florida Hospital Association, agreed. Bodily injury protection, he said, "requires litigation before the insurance is available."

The medical community is highly protective of PIP. When the mandate sunset in 2007, hospitals and other providers argued that failing to reinstate it would simply shift auto insurers' costs to the healthcare system.

Injured drivers without PIP would rely on their health insurance, Ruben said, potentially raising premiums. The rate of uncompensated care would increase, as many injured motorists without PIP or health insurance would be unable to afford their treatment.

Hospitals and patients who do have health insurance would wind up paying for that, Ruben said.

Cost-shifting is a valid concern, said Michael Carlson, head of the Personal Insurance Federation of Florida, a trade group of auto insurers including State Farm and Allstate.

But Carlson pointed to a 2008 study in Colorado that indicated health insurance rates rose only 1.6 percent when that state dropped its no-fault/PIP system in 2003. Auto insurance rates plunged by 35 percent.

The switch, however, also drove down payments to hospitals, ambulances and other providers by \$80 million, the Colorado Springs Gazette reported. "While there have not yet been any major layoffs, some rural hospitals have had trouble finding specialists to serve on trauma care calls for fear they will not get paid."

Colorado lawmakers responded in 2008 by requiring drivers to carry a \$5,000 medical payments benefit unless they opt out.

In Florida, where Allstate and State Farm pushed in 2007 to end the PIP mandate, even large insurers have mixed views today, said Carlson. "Our position is that the PIP system is broken and needs to be fixed."

Bogdanoff, R-Ft. Lauderdale, said she plans to introduce PIP legislation again next year. So does Rep. Jim Boyd, R-Bradenton, who sponsored a similar bill. Among the provisions they say are key: requiring in-depth accident reports, as opposed to the current "short form," to prevent people not injured from filing a PIP claim.

"I hope that with the attention being brought to the issue now, and the visibility and exposure, that we get some substantial and meaningful reform this session," Boyd said.

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William G. Milliken

April 9, 2011

Dear Friends:

It is with great appreciation that I accept The Brain Injury Association of Michigan's Legacy Society Founders' Award. I regret that I cannot be there in person, but I am most humbled that the BIAMI would bestow this award upon me. It is a great honor to know that no-fault benefits have assisted so many citizens in Michigan on their road to recovery after a devastating accident, because of the legislation we created nearly four decades ago.

Allow me to take a moment to highlight some of the achievements of the legislation that we can be most proud of.

In 1973, Michigan faced multiple pressures to reform its automobile insurance system. We responded to these pressures by creating the Michigan's Auto No-Fault Insurance Act. The premise was to:

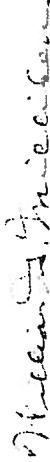
- 1) ensure that those injured in an automobile crash received all reasonably necessary medical care for their life-time;
- 2) minimize the need for litigation as a result of automobile crashes;
- 3) ensure that a fair and equitable insurance premium would be paid for such coverage.

Many states have followed Michigan's lead in creating similar auto no-fault insurance laws; however, Michigan's Auto No-Fault Insurance Act has always been revered as the ultimate standard.

It is my opinion that this has truly been good public policy for Michigan residents. Seriously injured persons are provided optimal medical care that enables them to achieve maximum recovery, including the possibility of returning to work and becoming taxpayers again. Under this legislation, injured parties and families have the lifetime medical coverage needed so that they can avoid the threat of bankruptcy due to medical costs and/or the shifting of these costs to the state's Medicaid program.

Additionally, a cutting edge brain injury rehabilitation industry has been created, providing thousands of new jobs and enhancing the communities where they operate. Michigan has become a brain injury rehabilitation center of excellence which has allowed our citizens to return to their communities. All of this is truly our legacy to share.

With Appreciation,



Governor William G. Milliken